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S E C R E T SECTION 01 OF 02 MANILA 003133

SIPDIS

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TAGS: PINS PGOV FAID RP

SUBJECT: ARROYO DEMANDS FULL CABINET SUBMIT RESIGNATIONS

REF: A. MANILA 3088

B. MANILA 3054

Classified By: A/DCM Scott Bellard for reasons 1.4 (b) and (d)

11. (S) Summary. In an apparent pre-emptive move against threatened resignations by some key Cabinet members, President Arroyo announced to the nation on July 7 that she had asked for the resignation of her entire Cabinet and would focus her own efforts in the future on political reform. Former President Aquino and Archbishop Rosales still intend to press for her resignation today. The extent -- and quality -- of those not planning to return to the Cabinet are still largely unknown publicly, but many politicos already realize that Finance Secretary Purisima was the one who pushed her hand. GMA's likelihood of remaining in office has diminished sharply, although she may be able to weather criticism and commentary in the next few days or perhaps even longer. End Summary.

12. (U) In a brief prime time radio broadcast on July 7 (carried also on major television channels), President Gloria Macapagal Arroyo reiterated that she would not/not resign but announced that she had requested the resignations of her entire Cabinet. She noted that this move would help her move forward to reorganize the Cabinet; she promised that Cabinet members would henceforth have a "free hand to govern" while she would focus on fundamental changes to the political system and outreach to political and civil society. She claimed that this was not a "political ploy or gimmick" but rather represented an effort to make real reforms in the political way of life as a "legacy" to the children of the Philippines. She lamented that she had been personally "demonized" and that the entire political system had "degenerated" to a point where no one's hands were "untainted." She criticized ongoing Congressional hearings, which she said were clearly not in aid of legislation. She admitted that some of her advisers had urged her not to make the admission last week about her "lapse in judgment" about talking to an election official in 2004, but insisted that it was nonetheless the right move and that the conversation had taken place after the certificates of voting had already been counted. She noted that she had originally planned to call for political reform in her State of the Nation Address on July 25, but instead decided to begin now. She claimed that if she resigned, this would only encourage a series of "EDSA" people power movements in the future.

13. (S) Finance Secretary Cesar Purisima confirmed to Charge that he had, as planned (ref b -- nota), confronted Arroyo on July 7 to demand her resignation or face the resignation of her entire economic team and some other trusted Cabinet members. He noted that her response had left him no choice but to proceed as planned. He confided that former President Corazon Aquino and Manila Archbishop Rosales still planned to meet with Arroyo late on July 7 to demand her resignation, and promised to brief us on the outcome.

14. (S) Purisima's unhappiness and intention to resign have already become known in political circles. Opposition legislator Ronnie Zamorra described a "Cabinet mutiny" led by Purisima and Trade Ministry Santos. GMA coalition-mate Congressman Gilberto Teodora said Arroyo had clearly acted to "pre-empt" resignations of "civil society Cabinet members" including Purisima, but called the move "panicky." House Ways and Means Committee Chairman Jesli Lapus, a key ally in the VAT legislation passage, nonetheless called the President's move a "good one," but admitted that Arroyo apparently was "forced by circumstances to ask for courtesy resignations."

15. (S) Comment: Arroyo is digging in her heels, as expected. Her pre-emptive move to dismiss the Cabinet was an attempt to make the best out of a bad situation, at least until the extent -- and quality -- of those not returning to the Cabinet quickly become known. Influential business community representatives as late as the afternoon of July 7 had indicated that they were sticking with her, for now, and would not demand her resignation. This may soon change, especially as economic news worsens, including reports that the GRP had had to begin to intervene to prop up the peso. Today's news could be much worse -- she did not declare martial law and there are no signs of any interest by the military in political intervention or a coup d'etat -- but at best represents an against-the-wall effort by Arroyo to

remain in power. She apparently is willing to jettison the focus on her once ambitious economic and financial reform agenda as she pursues a doomed short-term battle for significant political reform. The likelihood of her remaining in power has now diminished sharply, although she should be able to weather the barrage of criticism and commentary over the next few days -- or perhaps even longer.
MUSSOMELI